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DEPARTMENT OF NATURAL RESOURCES

Division of Oil, Gas & Mining

MICHAEL R. STYLER
Executive Director

JOHN R. BAZA
Division Director

June 13, 2006

TO: Board of Oil, Gas & Mining

THRU: Mary Ann Wright, Associate Director *MRM for MAW*

THRU: Susan White, Mining Program Coordinator *SMW*

FROM: Paul Baker, Senior Reclamation Biologist *SW for PB*

SUBJECT: Request to Terminate Reclamation Contracts and Sureties, Umetco Minerals, Deremo/Peterson and Wilson/Silverbell Mines, M0370025 and M0370027, San Juan County, Utah

Umetco has requested that the Board of Oil, Gas and Mining release the referenced reclamation contracts and sureties. The attached bond release findings document discusses site conditions.

With the possible exception of certain revegetation requirements, all aspects of reclamation have been completed at these sites. As of my last visit to on August 18, 2005, the Wilson waste pile at the Wilson/Silverbell Mine, and the waste pile and ore storage pad at the Deremo/Peterson Mine did not have adequate vegetation to meet release criteria. The finding about the Wilson/Silverbell Mine mentions a well and a compressor, and the operator has submitted a letter from the land owner taking responsibility for these structures. At Deremo/Peterson, one of the vent shafts was retained as a water well for use by the land owner, and this land owner, according to verbal information from the Division of Water Rights, has either obtained or is on the verge of obtaining a water right for this well.

The operator has seeded the Deremo/Peterson waste pile and ore storage area four times and the Wilson waste pile three times. I was not present when these seedings occurred, but it appears the operator followed Division revegetation recommendations. Prior to 2005, the area had been in an extreme drought, and this is probably the reason revegetation was not successful. I do not know the current status of the vegetation but plan to visit the sites on June 13, 2006, and make this assessment.

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I recommend that the Board release Umetco Minerals from its obligations under the contracts with the Board. The operator has submitted reclamation sureties to the Division sufficient to cover the costs of revegetating the sites, and the Division will consider release of those sureties separately from the Board hearing.

PBB:pb
Attachments: Bond Release Findings
cc: Steve Alder, Assistant Attorney General
Rahe Junge, Umetco
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Bond Release Findings

Mine Name: Wilson/Silverbell Mine
Operator: Umetco Minerals Corporation
2754 Compass Dr. Ste. 280
Grand Junction, Colorado 81506-8788

I.D. No.: M/037/027
Mineral Ownership: Fee
Surface Ownership: Fee
Permit Term: 1979

Disturbed Area: 45 Acres
Regraded: 45 Acres
Reseeded: 45
Acres Bonded: 45 Acres

Acres Proposed for Release: 38.1 acres proposed for full release, 6.9 acres proposed for release from all but revegetation requirements

Surety

Amount: \$142,280
Form: Board Contract
Renewable Term: 5 years (1985 dollars)

Setting and Premining Environment

This site is near the Colorado border northeast of Monticello. It is in an area where dryland bean, grain, and safflower farms are mixed with pinyon/juniper woodlands and grazing lands. Soils are silty and sandy loams and are somewhat erosive. The general topography is gently rolling, and the postmining land uses are grazing and farming.

Operations

The operation began some time prior to 1975, and the last reported mining was in 1990. Reclamation was completed in 2000. The operator mined uranium and vanadium using random room and pillar methods. Surface facilities included shop, warehouse, and office buildings; two shafts; eight vent holes; power lines; evaporation ponds; and waste piles. Limited topsoil was saved during operations, but the operator was able to acquire topsoil as the site was reclaimed.

Hole Plugging

The vent holes were not cased. The operator filled the holes with mine waste to within 10 feet of the surface, waited three months for the waste to settle, then poured a five-foot concrete cap and filled the remainder with soil.

Reclamation

The site was mostly reclaimed in 2000 with some power pole removal and additional seeding being done in subsequent years. The operator dug large trenches next to the waste piles and pushed waste into these holes. The material pulled from the trenches was used as topsoil over the waste piles. These areas were then pocked and seeded. Some facilities, including an access road, three buildings, two ponds, a well, and a compressor with a pad, have not been reclaimed.

Although the same methods were used on both waste piles, vegetation has not become well established on the Wilson pile. The operator is not seeking revegetation release for this area. The Wilson pile has been seeded three times.

Mine Engineering

Since these were underground mines accessed by shafts, there are no steep slopes or highwalls. The steepest slopes on the waste piles are less steep than 3h:1v.

All shafts and vent holes have been sealed.

The Division received and approved a request from the operator that certain facilities be retained for the postmining

land use of livestock grazing. This was done at the request of the land owner. The facilities that were left include the east access road, shop, dry room, office, two ponds south of the Wilson Shaft, and the power line and access road to the ponds.

A well and a compressor and associated pad and building have not been reclaimed but are no longer the property of the operator. The operator submitted a letter from the land owner where the land owner accepted responsibility for these facilities, and by letter dated December 6, 2005, the Division approved these facilities remaining for a postmining land use.

Hydrology

There are no perennial drainages in the area, and even ephemeral drainages are small and insignificant. There has been a very limited amount of erosion on the sides of the reclaimed waste piles, but sediment has remained near the waste piles and has not left the site. Ponds have either been reclaimed or will be used for the postmining land use.

Revegetation

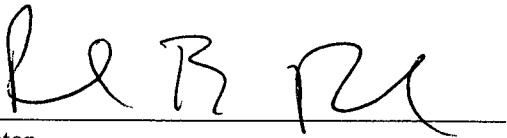
The remaining facilities will support the grazing and farming postmining land uses. The revegetated areas would support grazing but would not be conducive to farming.

Vegetation cover in those areas proposed for full release was estimated by the Division to be 45 percent which meets the release criterion. I estimated cover in nearby undisturbed areas as 34 percent, and the mine plan says cover in undisturbed areas is 10-15 percent. Vegetation in the reclaimed areas has survived five full growing seasons. On the Silverbell waste pile, most of the vegetation consists of grasses, both native and introduced, but much of the cover in the reclaimed ponds area is from fourwing saltbush.

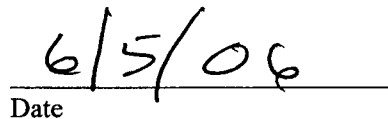
There are areas within the permit and adjacent areas that are infested with Russian knapweed, and the operator has been actively trying to control this noxious weed. State law requires land owners to attempt to control noxious weeds, so these control efforts should continue following release. Most owners of nearby land are also making control efforts.

Recommendation

Except for the waste pile at the Wilson Mine, the operator has met release criteria for this site. It is recommended that the Division sign the reclamation contract submitted by the operator May 16, 2005. The operator will need to request that the Board release the operator from the Board Contract.



Inspector



Date

Bond Release Findings

Mine Name: Deremo/Peterson
Operator: Umetco Minerals Corporation
2754 Compass Drive, Suite 280
Grand Junction, Colorado 81506-8788

I.D. No.: M/037/025
Mineral Ownership: Fee
Surface Ownership: Fee
Permit Term: Permit granted in 1979

Disturbed Area: 7 acres
Regraded: 7 acres
Reseeded: 7 acres
Acres Bonded: 7 acres

Acres Proposed for Release: 4.1 acres proposed for full release, 2.9 acres proposed for release from all but revegetation requirements

Surety

Amount: \$33,332

Form: Board Contract

Renewable Term: 5 years (1985 dollars)

Setting and Premining Environment

The site is right next to the Colorado border east of Monticello. Adjacent lands are used for growing dryland beans, grain and safflower and for grazing. The farmlands are mixed with areas of pinyon/juniper woodland where the soils may be very shallow or non-existent on rock outcrops. The terrain is gently rolling, and there are no nearby watercourses.

Operations

Production began prior to 1975 and continued through 1990. The workings were accessed through three shafts in Colorado. The operator used random room and pillar techniques to extract uranium and vanadium ore. Surface disturbances in Utah included a waste pile, a small retention pond, an ore storage pad, power lines, and five vent holes.

Hole Plugging

The operation included five vent holes. One vent hole was retained by the land owner to be used as a well to water his cattle. The four other vent holes were reclaimed. The uncased holes were filled with mine waste to within 10 feet of the surface. The operator waited three months for the waste to settle then poured a five-foot concrete cap and filled the remainder with soil. Where the holes were cased, the operator excavated down eight feet, cut the casing six feet below the surface, welded on a steel cap, then filled the excavated area.

The vent hole that was left to be used as a well was backfilled to approximately 75 feet and plugged with a minimum of five feet of concrete. The operator had a temporary application to pump water from the well for dust suppression during reclamation. The water right, number 05-2714, has now expired, but the land owner, Jim Butt, has applied for a new water right. This water right was advertised with no adverse comments received, and as of about May 1, 2006, the Division of Water Rights expected it to be approved.

Reclamation

Mine Engineering

This was an underground mine accessed by shafts, so there were no highwalls. The steepest slope on the waste pile is about 3h:1v.

A limited amount of low grade ore was left over after mining operations ended, and it was buried in the waste pile.

One road to a vent hole was not reclaimed but was kept for ranch access at the request of the land owner. Other access roads were reclaimed.

Hydrology

There are no natural drainages in the area, and no drainage channels were constructed as part of reclamation.

There is a small, shallow (about 2-foot deep) retention pond that was not regraded. It is small and shallow enough that it presents no danger. At this time, it continues to collect runoff from mine disturbances in Colorado.

There has been very limited erosion in the ore pad area but essentially none from the waste pile. Sediment from the ore pad area goes to a swale near the waste pile and does not leave the area.

Revegetation

The postmining land uses are farming and grazing. Areas that have been successfully revegetated and have at least 70 of the cover of adjacent areas are the vent holes, the access roads (except for one road that was retained for the postmining land use), and the sediment pond area.

The operator is not seeking release from revegetation requirements for the waste pile or the ore pad. These areas have been seeded four times with limited success, but until 2004, these seedings were all done in years with extreme drought in the area.

Recommendation

I recommend that the operator be released from further reclamation responsibilities on all areas except the waste pile and the ore storage area. Because this site has a Board contract, the operator will need to make this request of the Board.

Inspector

REBRE

Date

6/5/06